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# LANKA @ 63: THE 'MILITARY BUSINESS MODEL' OF POSTWAR ECONOMIC DEVELOPMENT

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On 4 February Sri Lanka celebrated its 63rd birthday. After nearly three decades of armed conflict, it is now one of South Asia's calmest and fastest-growing countries.

Its social indicators, apart from the northeast zone, remain the best in the region, and its strategic location is inviting investment from both Asian giants, China and India. Its stock markets are booming, its growth rate bouncing at around 8%, and tourists are back to enjoy sun, sand, sea and the island's natural beauty. Along with big sister India, Lanka is the only other country in the South Asian region with an unbroken if rather tattered democracy since independence from the British Raj in 1948, and the International Monetary Fund (IMF) recently congratulated the government when it released a Standby Agreement (SBA) loan tranche despite the high ratio of public debt to GDP.

As many economists know, however, stock-market booms do not necessarily correlate with socioeconomy peace, equity and justice, or the real economy. On Independence Day, the main opposition United National Party (UNP) marched in protest against authoritarianism, attacks on and disappearances of media personnel and human-rights defenders, and the incarceration of former General Sarath Fonseka, the chief architect in the victory against the LTTE. Major Tamil political parties, too, boycotted the celebrations, as they have done for decades, in protest against the government's failure to share power, particularly with minority communities. The opposition's protest march was attacked by mobs, reportedly backed by the minister of public relations, as police stood by in the highly militarized city that was recently wired with close circuit TV cameras to ensure regime security.

One of the most striking developments in postwar Lanka is its paradoxical militarization of the government, economy and society. Even though it has been two years since the end of the war, emergency rule remains in place and the defence sector, including the budget, has not been down-sized, right-sized or restructured for peacetime operations, but rather has been on a constant rise. The army constitutes over 210,000 personnel in a country with less than 20 million people;

nonetheless, the army, in addition to the significant navy, air force and national defence forces, continue recruiting. The current budget allocates 20% of GDP for defence

expenditures – far more than other South Asian neighbours. Colombo insists that Lanka is a safe tourist destination, and asks foreign governments to lift travel warnings; but it still maintains Emergency Regulations (ER), keeps up counterterrorism rhetoric with the assistance of dubious 'terrorism' experts, and buys expensive surveillance equipment such as CCTV cameras to monitor traffic jams, rather than investing in a people-friendly public transport system, in a city that *The Economist* intelligence unit deemed one of the ten worst cities to live.

The Defence Ministry has taken under its wing offices responsible for urban development; land reclamation, development and construction; waterways; and the registration of NGOs. While civilian administrators and expertise from the business community are increasingly marginalized, former or serving military officers are being

appointed to key central, local government and foreign-service positions. The government has also been investing heavily in expensive technologies of surveillance, such as closed circuit television security cameras is biometric identity cards. Meanwhile, civilian administrators and expertise is increasingly marginalized, to the detriment of knowledge-based, people-centred economic development policy-making. One can now see the postconflict economy following the former Indonesian model of military business. Under Suharto, the Indonesian military was given corporate representation in the government. Each military branch had its own foundation, which operated businesses in finance management, the travel industry, agribusiness, manufacturing and resource extraction. Similar patterns are evident now in Lanka, where the air force is operating flights to Jaffna, and military elites are being placed on the board of an elite (and controversial) golf club, called Water's Edge.

Postwar militarization is also indexed in seemingly harmless images of army personnel selling vegetables to bring down escalating food prices. In the navy, personnel are taking

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tourists on dolphin-sighting tours off the southern coast, and other armed-services personnel are engaged in additional commercial operations. Recently, Minister of higher education, S. B. Dissanayake, announced that the army would give undergraduates ‘soft-skills training’ in response to student protests against deteriorating conditions in the underfunded public universities. Rather than further politicising and militarizing higher education what is needed in a White Paper on Higher Educational Reform and investment in independent research and development.

“Military Inc.,” a book about the business interests of the military in Pakistan, authored by Dr Ayesha Siddiq, a former director of research of the Pakistan Navy, also helps contextualize Sri Lanka’s postwar military business development trajectory, particularly in the context of growing economic and security cooperation between Sri Lanka and Pakistan, indexed in the recent visits of Pakistani President Asif Ali Zardari and Chief of Armed Forces, General Kayani to Lanka. President Rajapakse and his brothers had earlier visited Pakistan. At the same time, “Pakistan week,” which featured food, fashion, arts, Sufi music and Pakistan’s rich culture and history was also celebrated recently in Colombo, inaugurated by Sri Lanka’s first lady and the Pakistani ambassador on 20, February 2011.

Subtitled “Inside Pakistan’s Military Economy,” Dr Siddiq’s book analysed a taboo subject the range and depth of the Pakistan military’s business interests. Dr. Siddiq coined the term MILBUS (military business), to describe a military’s business operations and activities. She defines ‘Milbus’ as ‘military capital’ used for the personal benefit of the military fraternity’. She estimates that the military’s private business empire was worth as much as £ 10 billion in 2005. Retired and serving officers own 12 million acres of public land in a country where poverty is extreme among landless peasants run secretive business conglomerates, and manufacture everything from cement to cornflakes. Ms. Siddiq also notes that these economic interests of the military have been a major factor in the ambitions of the Generals who have ruled the country for more than half of its 60-year history. Pakistan has a history of military rule, extensive military interests in business, along with multiple ethno-religious conflicts that have compounded the country’s poverty and conflict trap, now further complicated by the US led “war on terror.”

### **Mission Creep**

Militarisation is often accompanied and legitimated by the assumption that the country’s civil society and

business community are unpatriotic, incompetent or corrupt, or all three, and what is needed is a benevolent dictatorship or the military – or both for a country’s development. This logic, that the military can do a better job at tasks performed by civil society or the business community, is clearly dangerous; in the past, it has been used to legitimate military coups and/or military rule. Sri Lanka experienced just such a coup attempt in 1962.

Military businesses thrive thanks to invisible state subsidies in the form of free land, the use of military assets, and loans to bail them out when they run into trouble, as Dr. Siddiq has noted. Military business also gives rise to corruption and is not economically rational, especially in the context of already high public debt. In Indonesia today, as the military is being reformed and State subsidies withdrawn under President Susilo Bambang Yudhoyono, military businesses have folded. That democracy can sometimes be inefficient and tedious is no reason to dismantle it. During its 63 years of independence, Sri Lanka has weathered two armed conflicts: the first in the south, against the Marxist-Maoist JVP; the second in the north, against the LTTE. Both conflicts contributed to dramatically transforming civil-military relations and the quality of democracy. Sri Lanka might have won its ‘war on terror’ for now, but the root causes that escalated into the 25-year conflict have yet to be addressed. Neither has the process of comprehensive post-war settlement or reconciliation begun. In fact, the much-hyped growth rate and development trajectory might be widening the gap between rich and poor, and thereby deepening the roots of social conflict.

In the current context, Sri Lankans might not tend to discuss militarization, because they are indeed grateful for the sacrifices that the military made to defeat the LTTE. However, militarisation, poses the real danger of military mission and mandate creep. Almost two years after the end of war, in the context of the failure to repeal Emergency Regulations, it is clear that it is ironically the political leadership of the country that is steering the postconflict militarization and transformation of civil-military relations, in a manner detrimental to democratic institutions and traditions. This might be politically expedient and lucrative for the regime in the short term, but the primary purpose of a well-trained military is to fight external threats to a country. The blurring of civil-military roles will dilute this focus. Especially when coupled with emergency rule, it will concentrate and centralize power in the presidency; it will also confer a level of impunity to the police and armed forces, encouraging them to disregard civilians’ basic rights.

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Already, the detrimental effects of militarization can be seen in Lanka. In the name of ‘city development’ and gentrification, the military has been used to displace poor people in urban areas. Examples include building a New Port City in Colombo for a Formula One race track, building supermalls and five-star hotels. Along the A-9 road to Jaffna, the military runs tea shops, competing with recently returned impoverished internally displaced people (IDP). In the war-ravaged north and east, it has acquired extensive public and private lands under the banner of providing ‘security’ and is setting up large farms to grow vegetables and fruits in the Mannar District. The ramifications of this however, have left Tamil and Muslim farmers landless, as some of their lands, now occupied by the military, have been ear-marked for business ventures, including a coal-fired power plant, tourism projects and agro industries.

Lanka seems to be following the Pakistan model where military business and national development policy process is closely linked. In Sri Lanka at this time key civil administration posts, including that of provincial governor remain in the hands of the military, particularly in the north east and the revolving door between high military office and private security business is increasingly lucrative. At the lower end, military business competes with small-scale business and vegetable traders and farmers, who meanwhile complain that they are being put out of business because they cannot compete with the military, which is subsidized. It is increasingly clear that there is need for structural adjustment and downsizing of the defense sector and budget. While downsizing a military presents challenges, since not all may join lucrative UN peace keeping operations overseas, using navy personnel to farm in Uswetakeiyawa, however successful and bountiful the produce may be, is a waste of the time of highly trained military cadre and taxpayers’ monies and is not economically rational.

### Security Trap

Despite a heavy *concentration of military personnel (40,000 army, 10,000 police)*, the security situation in Jaffna, the cultural heartland of the Sri Lankan Tamil community, has been deteriorating. Recent weeks saw a series of killings, forcing the former Jaffna district MP of the Tamil National Alliance, M. K. Shivajilingam, to suspect armed forces’ complicity. How can killings take place without their knowledge?’ he asked. ‘We feel someone is organising and overseeing these incidents to keep the people of Jaffna in a climate of fear.’

The large military presence in Jaffna contributed to the besieged population’s sense of insecurity. It is well known that in Jaffna former LTTE leaders are working with military intelligence. Minister Douglas Devananda, a leading ally of the government and one whose paramilitary cadre were also implicated in the killings, has declared that the killings are not simply the result of random criminal activity. The largest bank robbery in Colombo was traced to army deserters, of which there are 50,000, and security personnel have been implicated in timber theft on public and private lands and motorways.

The question is: has or how soon will militarization reach the tipping point and become counter-productive in the absence of human and social security particularly in the northeast? Post-conflict, rather than reaching out to the Tamil-speaking communities and making recovery and reconstruction a priority, the government, after initially denying access, has now sub-contracted reconstruction work to international donors and UN agencies. The Indian government, which is facing its fare share of corruption scandals over construction delays, particularly with regard to the Commonwealth Games and the Ardash project, is to construct housing for the internally displaced in the north. When will the disaster survivors get homes? Meanwhile, the Sri Lanka government keeps on spending billions on wasteful tamashas such as Bollywood awards nights; the Independence Day Dayata Kirulla Exhibition; and paying an international advertising and public-relations firm, Bell Pottinger, to burnish the government’s tarnished postwar image. The government is also bidding to host the Commonwealth Games in 2018 in Hambantota, which could cost the state coffers as much as US\$ 10 billion. Rs. 400 million has already been spent to formulate the bid, and there are plans to build a Golf course in Hambantota!

One should not forget that the lack of transparency and delay in aid operations after the 2004 tsunami meant that disaster victims were kept homeless for years, and this contributed to the return of conflict. The government should therefore, focus on enabling local government in the northeast to coordinate, monitor and evaluate recovery and reconstruction projects to ensure that they are completed in the specified time. Although Colombo claims to steer a ‘middle path’ between the socialist closed-market economy and the neoliberal paradigm that increases inequality and conflict, what we see is a highly unequal, militarized and skewed neoliberal development model. While select sectors of the economy – the security business, tourism and gambling are benefiting many other sectors are de-developed and impoverished by the current development model and paradigm. Finally, populist

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nationalism glosses the sell off and or mis-appropriation of public lands, assets and natural resources. Meanwhile, a tourism-centric development policy is benefitting members of the ruling family, related crony capitalists and segments of the security establishment.

### Juggernaut

In the past decade, a culture of militarization has developed in the South Asia region due to a number of internal and external factors, particularly as a result of the US led global 'war on terror' in Afghanistan and Pakistan. This is despite the fact that the region has the highest poverty count in the world. China's rise, expanding military budget and 'string of pearls' strategy in the Indian Ocean have, no doubt, fuelled the process, while *Arming without Aiming*, a book recently published by the Brookings Institute in Washington, has critiqued India's military modernization spending spree. Militarisation in Lanka has only been further legitimised with Asia becoming wealthier and emerging as a global economic centre. The central problem is that militarisation is being used to safeguard a skewed economic development model beneficial to the Rajapakse regime and its cronies. At the same time a new military elite loyal to the defence secretary and the president's brother is also being nurtured, lending them access to administrative jobs, state lands and business opportunities.

Policy planning is afoot for big-budget infrastructure projects to turn Lanka into a development 'hub' in areas of maritime capability, aviation, commerce and trade, power and energy, and knowledge. Sri Lanka, with the help of the IMF and foreign donors, plans to spend around US\$1.5 to 2 billion a year on road-and-rail development, power production, port facilities, and water and sanitation. But how sustainable many of these large capital intensive infra-structure projects are and who would benefit from them is questionable. Lanka is currently dotted with half-built, unused and abandoned 'infrastructure'-development projects constructed without adequate research and understanding of peoples' development needs and priorities, and without consultation and coordination with communities for which they were built. White elephant infrastructure in the absence of comprehensive and integrated urban or rural development planning and expertise merely contributes to the already high public debt. The current policy seems to be if there is a buyer for public assets, let's sell!

Violence in Jaffna despite the heavy military presence shows the limits of the military paradigm for security, economic development and sustainable peace. Already there is evidence that we may be reaching the tipping point of militarization. A military juggernaut once set in motion might not be easily reigned in, while often those who set it in motion also suffer the consequences. Sustainable security can only be achieved by deepening democracy and embracing inclusive development. Otherwise, the regime's dream of turning Lanka into the 'wonder of Asia' could morph into an Asian nightmare. Lanka is not Egypt or Tunisia, but sooner or later militarisation will be challenged as people come to notice that the traditions of democracy are gradually being eroded to create a national-security state and a ruling dynasty.

Last week, Army Commander Lieutenant General Jagath Jayasuriya, delivering a keynote address at a workshop organized by the Engineering Department of the University of Moratuwa in a five star hotel in Colombo on "Strategic Dimensions of Cyber Warfare", noted that cyber warfare is an emerging threat to the entire world. Although the physical war waged for 30 years had ended in Lanka, it was noted that warfare does not come to an end by eliminating terrorists from Lanka as the 'cyber war' or the war on the information highway continues. He did not mention Egypt, Tunisia and Libya where cyber activism has helped topple military dictatorships. Is the current Colombo regime 'fighting windmills'? Or 'war crimes'?

Increasingly, Sri Lanka's welfare state democracy that once placed the island at the top of the social development index in the developing world despite low per capita income is being replaced by a militarized neoliberal developmental state, cloaked in nationalist rhetoric that has little to do with the spirit or practice of the teachings of the Buddha or *ahimsa*. Sri Lanka still has the best social indicators – health, literacy, education – in the region. This is due to its immediate postcolonial investment in social infrastructure and the welfare state, not in the defence sector. Now that the war is over, Lanka needs to once again lead the way in South Asia. It has to demilitarize and reinvest in human security and social development, particularly in education, and enable power sharing among the island's diverse ethnoreligious communities ■

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